

## DEPARTMENT OF FINANCE BILL ANALYSIS

**AMENDMENT DATE:** April 28, 2011  
**POSITION:** Neutral  
**SPONSOR:** California Large Energy Consumers  
Association, Environment California

**BILL NUMBER:** AB 864  
**AUTHOR:** J. Huffman  
**RELATED BILLS:** AB 1150 (Perez)

### **BILL SUMMARY:** Electricity: Self-Generation Incentive Program

Existing law authorizes the California Public Utilities Commission (PUC) to administer the Self Generation Incentive Plan (SGIP), a program providing rebates for distributed generation technologies through 2015. Currently, the incentive payment is capped at 3 megawatts (MW) of electricity generation.

This bill would amend the SGIP to allow industrial facilities to install an energy system up to 10 MW in size but would limit the incentive to not more than 5 MW of that energy system's electricity generating capacity.

### **FISCAL SUMMARY**

The PUC estimates costs associated with the bill are minor and absorbable within existing resources. The Department of Finance (Finance) concurs with this assessment.

Under Section 6(b) of Article XIII B of the California Constitution, any costs to a unit of local government which result from legislation defining a new crime or changing an existing definition of a crime are not reimbursable by the state. Therefore, any local government costs resulting from the mandate in this measure would not be state-reimbursable, because the mandate only involves the definition of a crime or the penalty for conviction of a crime.

### **COMMENTS**

Finance is neutral on this bill as it could increase the use of on-site clean energy technologies helping to reduce greenhouse gas emissions and reduce energy costs for large, industrial energy customers.

The bill would give large, industrial energy customers, such as cement plants, financial incentives to invest in on-site clean energy such as wind turbines. Current policies encouraging investment in localized power have excluded extremely large energy consumers by placing a cap on the size of the renewable energy project at one to three MW. The bill would amend the SGIP to allow industrial facilities to install an energy system of up to 10 MW. A 10 MW system is roughly equivalent to installing an average sized solar system on 2,500 homes.

The SGIP program was created in 2001 to promote the use of distributed generation resources, like fuel cells, and will sunset December 31, 2011. The program is administered by investor-owned utilities (IOU) and, in each of the last four years, provided \$83 million towards the installation of clean energy generation projects throughout the state. The SGIP is funded by a charge on all IOU ratepayers and is reflected in the distribution charge on utility bills.

(continued)

Analyst/Principal (0621) J. McGuinn	Date	Program Budget Manager Karen Finn	Date
--	------	--------------------------------------	------

Department Deputy Director	Date
----------------------------	------

Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

<b>BILL ANALYSIS</b>	Form DF-43 (Rev 03/95 Buff)
----------------------	-----------------------------

